NEWS RELEASE

United States Attorney's Office
Central District of California

For Immediate Distribution

August 2, 2007

Thom Mrozek, Public Affairs Officer
(213) 894-6947
thom.mrozek@usdoj.gov
www.usdoj.gov/usao/cac

WESTSIDE REAL ESTATE AGENTS AND APPRAISERS INDICTED IN MULTI-MILLION DOLLAR 'PROPERTY-FLIPPING' FRAUD SCHEME

Two real estate agents, as well as two state-licensed real estate appraisers, were indicted this morning by a federal grand jury for allegedly participating in a massive mortgage fraud scam that caused more than $40 million in losses to federally insured banks.

An 85-page indictment returned this morning by a federal grand jury in Los Angeles charges Joseph Babajian, 54, of West Los Angeles; Kyle Grasso, 36, of Santa Monica; Lila Rizk, 40, of Trabuco Canyon; and Scott Robinson, 44, of Dana Point.

During the alleged scheme, Babajian and Grasso worked at, and were part owners of, Prudential California Realty. Rizk and Robinson were appraisers licensed by the State of California. All four defendants were charged with conspiracy, bank fraud, and loan fraud. Additionally, Babajian and Grasso were charged with money laundering.

According to the 35-count indictment, the defendants and others previously charged in the case were involved in a wide-ranging and sophisticated conspiracy to defraud mortgage lenders by obtaining inflated mortgage loans on homes in some of California's most expensive neighborhoods, including Beverly Hills, Bel Air, Holmby Hills and Malibu. Among those previously charged in the case are:

- Charles Elliott Fitzgerald, 47, of Newbury Park;
- Mark Alan Abrams, 45, of Los Angeles;
- Nicole LaViolette, 37, of Palm Springs;

- Jamieson Matykowski, 33, of Laguna Niguel; and
- Timothy Holland, 35, of Santa Ana.

Fitzgerald, who is in custody, is scheduled to go on trial on November 13 on a host of federal charges related to the alleged scheme. The other four have pleaded guilty to charges related to the scheme and are pending sentencing.

The indictment charges that the defendants and the previously-charged conspirators sent false documentation, including bogus purchase contracts and appraisals, to the victim banks to deceive them into unwittingly funding mortgage loans that were hundreds of thousands of dollars higher than the homes actually cost.

According to the indictment, the alleged scheme was executed through a series of acts:

- Grasso, Fitzgerald and Abrams bought homes at their true market values, requiring the original sellers and their real estate agents to keep the true prices confidential;
- Grasso, Fitzgerald, Abrams and others fabricated inflated purchase contracts to make it look like they were buying the homes for hundreds of thousands – or even millions – of dollars more than their true prices:
- Rizk and Robinson inflated appraisals of the homes to justify the inflated prices:
- schemers sent false loan application packages – many in the names of “straw borrowers” – to victim banks at the inflated prices; and
- in-house escrow companies were used to conceal the true prices of the homes and distribute the excess loan proceeds received from the victim banks.

After purchasing the homes at their lower, true market values, many of the homes were "flipped" by the conspirators, meaning that after they bought homes they staged second sales at inflated prices that were reported to the victim banks to justify the inflated loans. According to the indictment, Lehman Brothers Bank alone was deceived into funding more than 80 such inflated loans from 2000 into 2003, resulting in tens of millions of dollars in losses.

The indictment details the purchase of a Beverly Hills home by Fitzgerald and Abrams in 2000 for $2 million, which they reported to a victim bank as $4.395 million after Rizk and Robinson supplied inflated appraisals. Babajian and Grasso, who had the listing of the home, manipulated the Multiple Listing Service database to falsely report that it was listed and sold at $4.495 million. A bogus loan application package went to Lehman Brothers Bank in the name of a straw borrower, and the bank unwittingly funded a loan of more than $2.8 million on the property – more than $800,000 more than the true $2 million purchase price. The conspirators split the excess loan proceeds from the fraud, including more than $46,000 in commissions to Babajian and Grasso.

The indictment returned today alleges that Babajian and Grasso profited by collecting hundreds of thousands of dollars in commissions and concealed payments. Rizk and Robinson allegedly profited by collecting hundreds of thousands of dollars in inflated appraisal fees.

Lehman Brothers Bank sued Babajian, Grasso, Rizk, Robinson, and others in federal court in Los Angeles in 2003. The federal court appointed David J. Pasternak as receiver to recover assets acquired with proceeds of the fraud. The receiver, as well as his attorneys and forensic accountants, have cooperated extensively with the government's ongoing criminal investigation.

An indictment contains allegations that a defendant has committed a crime. Every defendant is presumed innocent until and unless proven guilty.

The charges in the indictment are part of an ongoing investigation being conducted by the Federal Bureau of Investigation and IRS-Criminal Investigation Division.

CONTACT: Assistant United States Attorney Jeremy D. Matz
(213) 894-0649

Release No. 07-099